

**MSINGA MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 June 2013**

In terms of section 126 (1) of the Municipal Finance Management Act ,  
I am responsible for the annual financial statements, which are set out on  
pages 5 to 39, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed  
in note 16 of these annual financial statements are within the upper limits of  
the framework envisaged in Section 219 of the Constitution, read with the  
Remuneration of Public Officer Bearers Act and the Minister of Provincial and  
Local Government's determination in accordance with this Act.

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**MUNICIPAL MANAGER**

31 August 2013  
**Date**

# Annual Financial Statements

for

## Msinga Municipality

for the PERIOD ended 30 JUNE : 2013

Province:

KwaZulu Natal

AFS rounding:

***R (i.e. only cents)***

### Contact Information:

**Name of Municipal Manager:**

**Name of Chief Financial Officer:**

JS Pansegrouw

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Leneo Mofaka

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Auditor-General South Africa

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**Msinga Municipality**  
**Financial Statements**  
**for the year ended 30 June 2013**  
**General information**

**Members of the Council**

FJ Sikhakane  
SG Masimula  
TL Kunene

Mayor  
Honourable Speaker  
Deputy Mayor

B Mthethwa  
RN Ngubane  
MPS Mshibe  
JM Ntuli  
B Dumakude

Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee  
Member of the Executive Committee

**Municipal Manager**

FB Sithole

**Chief Financial Officer**

**JS Pansegrouw**

**Grading of Local Authority**

Grade 2

**Auditors**

Auditor-General South Africa

**Bankers**

ABSA Bank

Effective 1st July 2001

**Msinga Municipality**  
**Financial Statements**  
**for the year ended 30 June 2013**

**General information (continued)**

**Registered Office:** Tugela Ferry

**Physical address:** Main Road  
Tugela Ferry

**Postal address:** Private Bag X530  
Tugela Ferry  
3010

**Telephone number:** 033-4930761

**Fax number:** 033-4930766

**E-mail address:** [fanozi.sithole@msinga.org](mailto:fanozi.sithole@msinga.org)

**Msinga Municipality**  
**FINANCIAL STATEMENTS**  
**For the year ended 30 June 2013**

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**MSINGA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2013**

	<u>Note</u>	<u>2013</u> <u>R</u>	<u>2012</u> <u>R</u>
<b>ASSETS</b>			
Current assets		79 300 060	78 471 364
Cash and cash equivalents	2	73 455 310	76 032 161
Trade receivables from exchange transactions	3	109 968	106 435
Other receivables from non-exchange transactions	4		50 667
Other loans	5	14 000	33 267
VAT receivable	6	5 720 782	2 248 834
 <b>Non-current assets</b>		 106 427 148	 86 247 850
Property, plant and equipment	7	106 427 148	86 247 850
 <b>Total assets</b>		 <u>185 727 208</u>	 <u>164 719 214</u>
 <b>LIABILITIES</b>			
<b>Current liabilities</b>		21 896 063	32 054 060
Trade and other payables	8	2 460 591	3 793 522
Unspent conditional grants and receipts	9	19 435 472	28 260 538
 <b>Total liabilities</b>		 <u>21 896 063</u>	 <u>32 054 060</u>
 <b>Net assets</b>		 <u>163 831 145</u>	 <u>132 665 154</u>
 <b>NET ASSETS</b>			
		163 831 145	132 665 154
Accumulated surplus	10	163 831 145	132 665 154
 <b>Total net assets</b>		 <u>163 831 145</u>	 <u>132 665 154</u>

**MSINGA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
as at 30 June 2013

<b>REVENUE</b>	<b><u>NOTE</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Property rates	12	2 471 507	441 045
Service charges	13	20 940	20 941
Rental of facilities and equipment		382 743	266 534
Interest earned - external investments	15	4 042 757	3 594 158
Government grants and subsidies	14	102 542 385	94 479 922
Other income		1 628 950	399 153
Gain on disposal of Property, Plant and Equipment		2 141	
<b>Total Revenue</b>		<u>111 091 423</u>	<u>99 201 753</u>
<b>EXPENDITURE</b>			
Employee related costs	16	15 545 402	12 590 937
Remuneration of Councillors	17	8 084 267	7 525 425
Contribution Bad debt provision	3,4	519 659	467 605
Depreciation	7	10 868 079	8 229 569
Repairs and maintenance		7 151 318	8 426 157
Contracted services	20	1 574 800	1 393 758
Grants and subsidies paid	18	6 835 635	4 980 529
General expenses	19	29 346 271	29 008 648
<b>Total Expenditure</b>		<u>79 925 431</u>	<u>72 622 628</u>
<b>Surplus for the year</b>		<u>31 165 992</u>	<u>26 579 125</u>

**MSINGA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NETT ASSETS**  
**as at 30 June 2013**

	Accumulated Surplus	Total
	R	R
2013		
Balance at 30 June 2012	132 665 154	132 665 154
Surplus for the year	31 165 991	31 165 991
Balance at 30 June 2013	163 831 145	163 831 145
2012		
Balance at 30 June 2011	106 086 028	106 086 028
Surplus for the year	26 579 126	26 579 126
Balance at 30 June 2012	132 665 154	132 665 154



**MSINGA LOCAL MUNICIPALITY  
CASH FLOW STATEMENT  
for the year ended 30 June 2013**

	<u>Note</u>	<u>2013</u> <u>R</u>	<u>2012</u> <u>R</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from consumers and government		103 121 457	98 993 456
Cash paid to suppliers and employees		(78 695 688)	(64 440 556)
Cash generated from operations	21	24 425 769	34 552 900
Interest received	15	4 042 757	3 594 158
<b>Net cash flows from operating activities</b>		<u>28 468 526</u>	<u>38 147 058</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(31 047 517)	(25 703 099)
Purchase of intangible assets			
Proceeds from sale of fixed assets		2 140	
<b>Net cash flows from investing activities</b>		<u>(31 045 377)</u>	<u>(25 703 099)</u>
<b>CASH FLOWS FROM FROM FINANCING ACTIVITIES</b>			
New loans raised (repaid )			
Increase (decrease ) in consumer deposits			
Increase (decrease ) in short term loans			
<b>Net cash flows from financing activities</b>			
<b>NET INCREASE (DECREASE ) IN CASH AND CASH EQUIVALENTS</b>		<u>(2 576 851)</u>	<u>12 443 959</u>
Net increase / (decrease) in net cash and cash equivalents		(2 576 851)	12 443 959
Net cash and cash equivalents at beginning of period		76 032 161	63 588 202
<b>Net cash and cash equivalents at end of period</b>	2	<u>73 455 310</u>	<u>76 032 161</u>

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**1 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Presentation of Annual Financial Statements**  
**BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise, they are presented in South African Rand.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP). Issued by the Accounting Standards Board in accordance with Section 122 (3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant policy.

**Standards, amendments to standards and interpretations effective for financial periods commencing on or after 1 April 2012.**

In the current year, the municipality has adopted the following interpretations that are effective for the current financial year and that are relevant to its operations.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue From Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
CRAP 19	Provisions, Contingent Liabilities and Contingent Asset

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generation Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP103	Heritage Assets
GRAP 104	Financial Instruments

The following GRAP standards have been approved but are not yet effective. Application of all the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance.

GRAP 25	Employee Benefits – issued March 2009
GRAP 105	Transfer of functions between entities under common control – issued November 2010
GRAP 106	Transfer of functions between entities not under common control – issued November 2010
GRAP 107	Mergers – issued November 2010

The municipality expects to adopt the standards for the first time once effective.

Management have considered all of the above-mentioned GRAP standards and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

**Standards, amendments to standards and interpretation not yet effective or relevant**

The following GRAP standard has been approved but an effective date has not been determined.

GRAP 18	Segment Reporting – issued February 2011
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Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

**Presentation Currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

**Going Concern Assumption**

These annual financial statements have been prepared on a going concern basis.

**1.1 Significant judgments and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas where assumptions and estimates are insignificant to the financial to the financial statements are set out below.

**Debtors receivable**

The municipality assesses its debtors receivable for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated cash flows from the financial asset.

**Useful lives of property, plant and equipment**

Management estimates the remaining useful lives and condition of significant items of property, plant and equipment on an annual basis. In determining whether an impairment loss should be recorded in the surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a significant impairment of respective assets.

During the year under review no significant assets have been impaired as the municipality is currently in the process of rehabilitating most of its infrastructure assets.

**Provisions**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

**Impairment testing**

The municipality reviews and test the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

**Allowances for doubtful debt**

The provision for impairment is measured as the difference between the assets carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognized in surplus and deficit when there is objective evidence that an asset is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of customers.

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**2. PROPERTY, PLANT AND EQUIPMENT**

**2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure assets)**

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**2.3 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	10-20	Buildings	3
Pedestrian Malls	30	Air Conditioners	0
Electricity	25	Vehicles and tractors	7
Water	20	Office equipment	5
			1
Sewerage	20	Furniture and fittings	0
<b>Community</b>		Machinery and Equipm	7
Buildings	30	Tools	5
Recreational Facilities	10	Radio	5
		Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## **2.4 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **3. INVESTMENT PROPERTY**

### **3.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**3.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated.

**FINANCIAL INSTRUMENTS**

**4.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

**4.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

**4.3 INVESTMENTS**

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**4.4 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **4.5 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **4.6 CASH AND CASH EQUIVALENTS**

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **5. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **6. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **7. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**8. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

**9. LEASES**

**9.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

**9.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**10. REVENUE**

**10.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on normal consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

**10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**10.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**11. BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**12. RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**13. CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash on hand	296	
Cash at bank	5 951 306	11 824 897
Call deposits	67 503 708	64 207 263
	<u>73 455 310</u>	<u>76 032 160</u>

The Municipality has the following bank accounts:

Current account (Primary bank account)

Absa Bank - Durban

Account number - 4053635886

Cash book balance at beginning of year	11 824 897	2 659 431
Cash book balance at end of year	5 951 306	11 824 897
Bank statement balance at beginning of year	18 874 136	8 849 954
Bank statement balance at end of year	9 499 372	18 874 136

Bank statement balance at end of year

**3 Trade receivables from exchange transactions**

	Gross Balance	Provision for doubtful debts	Net balance
Balances at 30 June 2013			
Service debtors			
Rates	7 271 431	7 271 431	0
Other	305 378	195 410	109 968
Total	<u>7 576 809</u>	<u>7 466 841</u>	<u>109 968</u>

Balances at 30 June 2012

Service debtors

Rates	6 831 436	6 831 436	0
Other	272 847	166 412	106 435
Total	<u>7 104 283</u>	<u>6 997 848</u>	<u>106 435</u>

Rates: Ageing

Current ( 0 - 30 days)	36 754	36 754
31 - 60 days	36 754	36 754
61 to 90 days	36 754	36 754
91 - 120 days	36 754	36 653
121 days and over	7 124 415	6 684 521
Total	<u>7 271 431</u>	<u>6 831 436</u>

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Refuse and other : Ageing

Current ( 0 - 30 days)	(46 918)	(48 423)
31 - 60 days	3 383	2 669
61 to 90 days	3 308	2 669
91 - 120 days	3 179	2 602
121 days and over	342 425	313 329
Total	305 377	272 846

Summary of debtors by customer classification

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2013			
Current ( 0 - 30 days)	(42 489)		32 325
31 - 60 days	7 811		32 325
61 to 90 days	7 736		32 325
91 - 120 days	7 608		32 325
121 days and over	1 089 446		6 377 397
Total	1 070 112		6 506 697

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2012			
Current ( 0 - 30 days)	(43 994)		32 325
31 - 60 days	7 098		32 325
61 to 90 days	7 098		32 325
91 - 120 days	6 930		32 325
121 days and over	1 008 354		5 989 496
Total	985 486		6 118 796

**4 Other receivables from non - exchange transactions**

Other	50 667	50 667
Less: Provision for Bad Debt	(50 667)	
Total other receivables		50 667

**5 Long Term Receivables**

Pre-paid expenses	14 000	33 267
Sundry loans		972 193
Provision Bad Debts		(972 193)
	14 000	33 267
Less: Current portion transferred to current receivables	(14 000)	(33 267)
	0	0

**6 VAT**

VAT receivable	5 720 782	2 248 834
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**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

5 720 782	2 248 834
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VAT is payable on the payments basis

**7 Property, Plant and Equipment**

Reconciliation of carrying value

	Land and buildings	Infra-structure	Community	Other	Total
Carrying value at 1 July 2012	14 214 867	63 320 256	3 271 344	5 441 382	86 247 849
Cost	17 399 362	82 568 210	3 630 284	17 585 651	121 183 507
- Cost	(3 184 495)	(19 247 954)	(358 940)	(121 442 69)	(34 935 658)
- Revaluation					
Acquisitions		25 248 752	1 890 744	3 908 021	31 047 517
Transfer		(1 316 169)	1 316 169		0
Capital under construction					
Increases (decreases ) in revaluation					
Depreciation					
- transfer		343 897	(346 885)	2 988	0
- based on cost	(612 997)	(8 300 229)	(528 720)	(1 426 134)	(10 868 080)
Carrying value of disposals					
Cost/revaluation		(4 622)		(1 135 473)	(1 140 095)
Accumulated depreciation		4 622		1 135 334	1 139 956
Carrying value at 30 June 2013	13 601 870	79 296 507	5 602 652	7 926 118	106 427 147
Cost	17 399 362	106 496 171	6 837 197	20 358 199	151 090 929
- Cost	(3 797 492)	(27 199 664)	(1 234 545)	(124 320 81)	(44 663 782)
- Revaluation					
Reconciliation of carrying value	Land and buildings	Infra-structure	Community	Other	Total
Carrying value at 1 July 2011	14 349 415	49 512 015	0	4 916 594	68 778 024
Cost	16 977 727	62 746 477	4 622	15 751 582	95 480 408
- Cost	(2 628 312)	(13 234 462)	(4 622)	(108 349 88)	(26 702 384)
- Revaluation					
Acquisitions	141 379	22 348 542	1 381 705	1 831 473	25 703 099
Transfer	280 256	(2 526 809)	2 243 957	2 596	0
Depreciation					
- transfer	51 290	123 419	(114 296)	(64 119)	(3 706)
- based on cost	(607 473)	(6 136 911)	(240 022)	(1 245 162)	(8 229 568)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying value at 30 June 2012	14 214 867	63 320 256	3 271 344	5 441 382	86 247 849
Cost	17 399 362	82 568 210	3 630 284	17 585 651	121 183 507
Revaluation					

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Accumulated depreciation					
- Cost	(3 184 495)	(19 247 954)	(358 940)	(121 442 629)	(34 935 658)
- Revaluation					
<b>8 Trade and other payables</b>					
Trade creditors			1 088 373		769 629
Retention			774 011		985 674
Payments received in advance					1 525 904
Staff leave			580 766		497 553
Deposits other			670		670
VAT			16 771		14 092
			<u>2 460 591</u>		<u>3 793 522</u>
<b>9 Unspent Conditional Grants and Receipts</b>					
3.1 Conditional grants from other spheres of government			19 435 472		28 260 538
Total conditional grants and receipts			<u>19 435 472</u>		<u>28 260 538</u>

**Disclosure of grants and subsidies in terms of section 123 of MFMA ,Act 56 of 2003**

**Unspent Conditional Grants and Receipts**

Grants - general	1 178 104	1 178 104
Grant - construction of shelters	243 769	243 769
Int Dev I - Structure Grant	100 936	100 936
MIG-Roads	3 015 605	2 293 368
Transition grant	2 518 464	2 518 464
Tourism grant	1 581 159	1 222 159
Municipal support grant	1 527 742	1 647 027
Grants - general	2 158 274	3 450 000
Grant -Integrated development plan	203 575	217 120
Spacial dev Framework	100 000	100 000
Implementation of M F M Act	145 000	145 000
Inter departmental monitoring grant	100 000	100 000
Grant - LUMS	237 223	237 223
Grant - Project Consolidate	1 478 507	1 847 347
Grant - community development workers	128 890	128 890
Housing grant - Pomeroy project	108 677	108 677
Grant - LED capacity building	246 604	246 604
Internal control & Audit committee	21 802	21 802
Housing grant - Kwalatha project	(23 820)	(23 820)
Resol phase 1	145 000	145 000
Info Investment programme	200 000	200 000
Sportsfields	895 459	592 192
E - Learning	209 045	209 045
Electrification programme	0	8 628 631
Intern corporate	108 000	36 000
Thusong Centres	531 015	1 167 000
Sweet potato project	1 500 000	1 500 000

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

EPWP grant	776 441	
	19 435 471	28 260 538

**MIG Grant**

Balance unspent at beginning of year	2 293 368
Current year receipts	26 965 000
Conditions met - transferred to revenue	(26 242 763)
<b>Conditions still to be met - remain liabilities</b>	<b>3 015 605</b>

**Finance Management Grant**

Balance unspent at beginning of year	0
Current year receipts	1 500 000
Conditions met - transferred to revenue	(1 500 000)
Conditions still to be met - remain liabilities	0

**MSIG grant**

Balance unspent at beginning of year	0
Current year receipts	800 000
Conditions met - transferred to revenue	(800 000)
Conditions still to be met - remain liabilities	0

**Grant - sportsfields**

Balance unspent at beginning of year	592 192
Current year receipts	1 200 000
Conditions met - transferred to revenue	(1 265 573)
Transfer	368 840
Conditions still to be met - remain liabilities	895 459

**Grant - electrification program**

Balance unspent at beginning of year	8 628 631
Current year receipts	
Conditions met - transferred to revenue	(2 120 357)
Grant returned to National Treasury	(8 000 000)
Transfer	1 491 726
Conditions still to be met - remain liabilities	0

**Grant - EPWP**

Balance unspent at beginning of year	0
Current year receipts	1 000 000



**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

Conditions met - transferred to revenue	(223 559)
Conditions still to be met - remain liabilities	<u>776 441</u>

**Grant - Thusong Centres**

Balance unspent at beginning of year	1 167 000
Current year receipts	
Conditions met - transferred to revenue	(635 985)
Conditions still to be met - remain liabilities	<u>531 015</u>

**Other Government Grants and Subsidies**

<b>Balance unspent at beginning of year</b>	15 579 347
Current year receipts	631 000
Conditions met - transferred to revenue	(132 830)
Transfer	(1 860 566)
Conditions still to be met - remain liabilities	<u>14 216 951</u>

These amounts are invested in a ring - fenced investment until utilised.

**10 ACCUMULATED SURPLUS**

The following internal reserves are ring fenced within the Accumulated Surplus :

**Government Grant Reserve**

Balance at 30 June 2012	82 327 369	66 390 845
Capital grants used to finance Property, Plant and Equipment	27 259 172	23 745 185
Offsetting of Depreciation	(10 166 679)	(7 808 661)
Balance at 30 June 2013	<u>99 419 862</u>	<u>82 327 369</u>
Other surplus funds	64 411 284	50 337 785
Total Accumulated Surplus	<u>163 831 146</u>	<u>132 665 154</u>

<b>11</b>	Call Investment Deposit		
	Other deposits	67 503 507	64 207 263
	Less: Short term investments transferred to Cash and Cash Equivalents	(67 503 507)	(64 207 263)
		<u>0</u>	<u>0</u>

<b>12</b>	Property Rates
	Actual
	Residential
	Commercial

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	State		
	Other	2 471 507	441 045
	Total assessment rates	2 471 507	441 045
	Valuations		
	Residential		
	Commercial		
	State		
	Municipal		
	Other		
	Total property valuations		0
13	Service Charges		
	Refuse removal	20 940	20 940
		20 940	20 940
14	Government Grants and Subsidies		
	Equitable share	69 621 000	58 981 000
	Skills levy	317	29 917
	Conditional grants utilised	32 921 067	35 469 005
		102 542 384	94 479 922
15	Interest		
	Investment income	3 296 443	3 278 492
	Interest on current account	746 313	315 666
		4 042 756	3 594 158
16	Employee Related Costs		
	Employee related costs - salaries and wages	11 589 565	9 757 257
	Employee related costs - contributions to UIF, pension and medical costs	1 776 195	1 033 292
	Travel, vehicle, accommodation, subsistence and other allowances	1 001 779	759 217
	Housing benefits and allowances	6 264	6 087
	Overtime payments	305 708	230 683
	Annual Bonus	865 891	804 401
	Total employee related costs	15 545 402	12 590 937
	There were no advances to employees. Loans to employees are set out in note 13.		
	Remuneration of the Municipal Manager		
	Annual remuneration	639 419	634 794
	Performance bonus		253 227
	Car allowance	120 000	120 000
	Contributions to Medical, Pension and UIF Funds	41 040	41 040
		800 459	1 049 061

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

Remuneration of the Chief Financial Officer  
Annual remuneration  
Performance bonus  
Car allowance

732 350	723 630
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Remuneration of other  
managers

2013

	Corporate Services	Engineering Services	Director Develop/plan
Annual remuneration	402 905	377 631	408 321
Performance bonus			
Car allowance	84 000	72 000	52 800
	486 905	449 631	461 121

2012

	Corporate Services	Engineering Services	Director Development
Annual remuneration	375 128	351 980	400 499
Performance bonus	9 482	234 498	317 497
Car allowance	84 000	72 000	52 800
	468 610	658 478	770 796

17 Remuneration of Councillors

Mayor	348 449	326 869
Deputy Mayor	343 850	263 845
Speaker	281 978	263 845
Executive committee members	1 857 352	1 750 263
Councillors	5 252 638	4 920 603
	8 084 267	7 525 425

In - kind benefits

The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.

The Mayor has use of a Council owned vehicle for official duties

18 Grants and Subsidies Paid

Free basic services	6 835 635	4 980 529
	6 835 635	4 980 529

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

19	General Expenses		
	Advertising	419 784	252 271
	Audit fees	867 612	408 436
	Audit: internal	628 365	749 831
	Admin fees	34 111	38 745
	Bank charges	373 604	233 361
	Awareness programme	1 558 351	1 454 569
	Conference and seminars	47 576	87 436
	Aids awareness	21 158	93 048
	Disaster management	120 546	85 992
	Electricity	540 733	341 723
	Entertainment	169 600	167 110
	Insurance	575 418	441 250
	Indigent support	96 294	108 395
	Legal fees	86 452	32 399
	Licences	51 186	71 598
	Emergency fund	2 684 119	1 403 450
	Materials	57 724	23 005
	Meetings/training	312 019	274 423
	Pauper burials	178 383	185 792
	Printing & stationary	402 307	465 136
	Rent: offices		198 840
	Security services	2 029 709	1 447 533
	Special projects	1 704 127	1 705 934
	Youth projects	1 469 899	1 220 864
	Sport and recreation	985 012	422 418
	Subsistence & travelling	1 711 774	1 448 277
	Subscriptions	558 181	123 755
	Sundries	26 601	30 478
	Ploughing cost	348 309	520 430
	Telephones	801 704	626 127
	Agricultural project	450 815	229 163
	Transport/vehicle cost	3 359 600	3 241 016
	Valuation expenses	63 768	63 158
	Ward committees	59 216	40 564
	Water	211 792	93 057
	CDW expenses		24 405
	Msig expenses	1 723 142	245 751
	Idp expenses	13 545	21 930
	Fmg expenses	1 189 415	713 235
	Rural elec plan	2 211 342	7 992 180
	Tourism project		14 871
	Internal audit grant expenditure		128 198

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

	Map expenses	201 726	391 877
	Small town rehab		453 735
	Disaster fund housing	51 873	
	T/ferry street lighting	6 622	275 784
	EPWP grant expenses	223 559	
	MPCC grant expenses	635 985	
	Pomeroy street paving		25 850
	LED capacity building		178 396
	Contribution leave provision	83 213	212 853
		<u>29 346 271</u>	<u>29 008 649</u>
20	Contracted Services		
	Management services	1 209 677	1 339 492
	Professional fees	365 123	54 265
		<u>1 574 800</u>	<u>1 393 757</u>
21	Cash Generated by Operations		
	Surplus (deficit ) for the year	31 165 992	26 579 125
	Adjustment for :		
	Prior year		3 708
	Depreciation	10 868 080	8 229 566
	Gain on disposal of property, plant and equipment	(2 002)	
	Contributions to bad debt provision	519 660	467 605
	Investment income	(4 042 757)	(3 594 158)
	Interest paid		
	Operating surplus before working capital changes	38 508 973	31 685 846
	(ilncrease) decrease in consumer debtors	(472 526)	(464 496)
	(ilncrease) decrease in other debtors	19 267	
	Increase (decrease ) in conditional grants and receipts	(8 825 066)	1 734 295
	Increase (decrease ) in creditors	(1 332 931)	(515 099)
	(Increase) decrease in VAT	(3 471 948)	2 112 354
	Increase (decrease ) in provisions		
		<u>24 425 769</u>	<u>34 552 900</u>
22	Cash and Cash Equivalents		
	Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
	Bank balances and cash	5 951 602	11 824 897
	Call deposits	67 503 708	64 207 263
		<u>73 455 310</u>	<u>76 032 160</u>
23	Additional Disclosures in Terms of Municipal Finance Management Act		
	23.1 Contributions to organised local government		
	Opening balance		
	Council contributions		
	Amount paid - current year	400 000	
	Amount paid - previous years		

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

Balance unpaid ( included in creditors )		0
23.2 Audit fees		
Opening balance		
Current year audit fee	867 612	408 436
Amount paid current year	867 612	408 436
Amount paid - previous years		
Balance unpaid ( included in creditors )		0
23.3 VAT		
Opening balance	2 248 834	4 361 188
Current year output VAT	(32 178)	(93 136)
Current year input VAT	7 837 595	7 427 227
Amount refunded by SARS - current year	(4 333 469)	(9 446 445)
Amount due by SARS - included in debtors	5 720 782	2 248 834
All VAT returns have been submitted by the due date.		
23.4 PAYE, UIF and Skills levy		
Opening balance		
Current year payroll deductions and Council UIF/Skills contributions	2 643 424	2 448 403
Amount paid - current year	2 643 424	2 448 403
Amount paid - previous years		
Balance unpaid ( included in creditors )		0
23.5 Pension and medical aid deductions		
Opening balance		
Current year payroll deductions and Council contributions	1 702 819	1 757 749
Amount paid - current year	1 702 819	1 757 749
Amount paid - previous years		
Balance unpaid ( included in creditors )		0
24 Capital Commitments		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure		
- approved but not yet contracted for		
Infrastructure	31 844 000	26 665 000
Community	2 600 000	
Heritage		
Other	3 550 000	4 400 000
	37 994 000	31 065 000
This expenditure will be financed from		
- government grants	31 844 000	26 665 000
- own resources	6 150 000	4 400 000

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

37 994 000	31 065 000
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**25 RETIREMENT BENEFIT INFORMATION**

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed on 1 July 2009. The Actuary advised that the fund is 96% funded and at date no actual action is required to rectify the situation

**25.1 SUPERANNUATION FUND**

The Actuary advised that the financial position has deteriorated from previous statutory valuation. The Committee felt that the investment markets were too volatile and the future of the Fund too uncertain (following a discussion of a possible merger with the Retirement Fund) to cease the surcharge at that point. The surcharge of 7% of pensionable salaries has therefore been applied.

**25.2 RETIREMENT FUND**

The actuary has advised the following

25.2.1. The result of the latest valuation showed a deficit in the fund.

25.2.2. The employers and members are paying a surcharge of 17% of pensionable salaries, which was expected to fund the deficit over a five year period

**25.3 Provident Fund**

The actuary is satisfied that the assets of the Fund are appropriate given the liabilities

<b>26</b>	Unauthorised Expenditure		
	Opening balance	8 489 138	2 936 905
	Add: Unauthorised expenditure current year	4 862 833	8 489 138
	Less: Amounts condoned	(13 351 971)	(2 936 905)
	Closing balance	0	8 489 138
<b>27.1</b>	Irregular Expenditure		
	Opening balance	49 855	4 362 604
	Add: Irregular expenditure current year		49 855
	Less: Amounts condoned	(49 855)	(4 362 604)
		0	49 855
<b>27.2</b>	Deviation from SCM policy approved by Council		
	Opening Balance		
	Deviations Current year	2 727 293	
	Authorised by Council	-2 727 293	

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

0

**28 Correction of prior period error in presentation in the Financial Statements**

During the current financial year, the Municipality corrected errors in presentation in the financial statements.  
The comparative amounts have been appropriately restated as follows:

**Note 6 - Property, Plant and Equipment**

Infrastructure carrying value previously disclosed	63 320 256
Revised classification	<u>(972 272)</u>
Revised Infrastructure carrying value	<u><u>62 347 984</u></u>
Community assets carrying value previously disclosed	3 271 344
Revised classification	<u>969 284</u>
Revised Community assets carrying value	<u><u>4 240 628</u></u>
Motor vehicles carrying value previously disclosed	4 306 881
Revised classification	<u>2 988</u>
Revised Other assets carrying value	<u><u>4 309 869</u></u>



**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

28 ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2013

REVENUE	Original Budget	Adjusted Budget	Final Budget	Actual outcome	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget	Explanation of significant variances
	R	R	R	R	R			
Property rates	500 000	2 200 000	2 700 000	2 471 507	-228 493	91.54	494.30	Property rates act not fully implemented
Service charges	23 000		23 000	20 940	-2 060	91.04	91.04	
Rental of facilities and equipment	39 000	100 000	139 000	382 743	243 743	275.35	981.39	
Interest earned - external investments	3 650 000		3 650 000	4 042 757	392 757	110.76	110.76	
Government grants and subsidies	99 456 000	12 840 000	112 296 000	102 542 385	-9 753 615	91.31	103.10	Grant projects delayed
Other income	132 500		132 500	1 628 950	1 496 450	1 229.40	1 229.40	
Sale of assets				2 141	2 141			
<b>Total Revenue</b>	<b>103 800 500</b>	<b>15 140 000</b>	<b>118 940 500</b>	<b>111 091 423</b>	<b>-7 849 077</b>	<b>93.40</b>	<b>107.02</b>	
<b>EXPENDITURE</b>								
Employee related costs	15 829 819	200 000	16 029 819	15 545 402	-484 417	96.98	98.20	
Remuneration of Councillors	8 154 392		8 154 392	8 084 267	-70 125	99.14	99.14	
Bad debts	505 620		505 620	519 659	14 039	102.78	102.78	
Depreciation	9 271 500	240 000	9 511 500	10 868 079	1 356 579	114.26	117.22	Underprovision Additional road maintenance / high rainfall
Repairs and maintenance	6 470 000		6 470 000	7 151 318	681 318	110.53	110.53	
Contracted services	1 181 000	850 000	2 031 000	1 574 800	-456 200	77.54	133.34	
Grants and subsidies paid	6 500 000		6 500 000	6 835 635	335 635	105.16	105.16	
General expenses	24 823 169	13 330 000	38 153 169	29 346 271	-8 806 898	76.92	118.22	Grant projects delayed
<b>Total Expenditure</b>	<b>72 735 500</b>	<b>14 620 000</b>	<b>87 355 500</b>	<b>79 925 431</b>	<b>-7 430 069</b>	<b>91.49</b>	<b>109.89</b>	
<b>Surplus for the year</b>	<b>31 065 000</b>	<b>520 000</b>	<b>31 585 000</b>	<b>31 165 992</b>	<b>-419 008</b>	<b>98.67</b>	<b>100.33</b>	

**MSINGA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2013**

**29 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013**

	<b>2013 Actual</b>	<b>2013 Under Construction</b>	<b>2013 Total Additions</b>	<b>2013 Budget</b>	<b>2013 Variance</b>	<b>2013 Variance</b>
	R	R	R	R	R	%
Land and Buildings						
Land						
Buildings			0		0	
	0		0	0	0	
Infrastructure						
Roads	25 248 752		25 248 752	24 665 000	583 752	2
	25 248 752	0	25 248 752	24 665 000	583 752	
Community Assets						
Sportsfields	1 890 744		1 890 744	2 000 000	(109 256)	(5)
	1 890 744	0	1 890 744	2 000 000	(109 256)	
Other Assets						
Refuse transfer station						
Office equipment	248 937		248 937	200 000	48 937	24
Furniture and fittings	31 092		31 092	200 000	(168 908)	(84)
Motor vehicles	3 627 992		3 627 992	4 000 000	(372 008)	(9)
	3 908 021		3 908 021	4 400 000	(491 979)	
Total	31 047 517		31 047 517	31 065 000	(17 483)	(0)

**APPENDIX A**  
**MSINGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2013**

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construct	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land										
Buildings	17 399 362				17 399 362	3 184 495	612 997		3 797 492	13 601 870
	17 399 362	0	0	0	17 399 362	3 184 495	612 997	0	3 797 492	13 601 870
Infrastructure										
Storm water drainage										
Roads	81 252 041	25 248 752		4 622	106 496 171	18 904 057	8 300 229	4 622	27 199 664	79 296 507
	81 252 041	25 248 752	0	4 622	106 496 171	18 904 057	8 300 229	4 622	27 199 664	79 296 507
Community Assets										
Sports facilities	4 946 453	1 890 744			6 837 197	705 825	528 720		1 234 545	5 602 652
	4 946 453	1 890 744	0	0	6 837 197	705 825	528 720	0	1 234 545	5 602 652
Other Assets										
Refuse disposal site	1 531 890				1 531 890	1 531 890			1 531 890	0
Taxi rank	948 004				948 004	948 004			948 004	0
Fencing	584 030				584 030	584 030			584 030	0
Air conditioners	134 252			70 711	63 541	134 252		70 711	63 541	0
Office and computer equipment	2 503 412	248 937		518 419	2 233 930	2 074 491	172 750	518 419	1 728 822	505 108
Furniture and fittings	1 340 959	31 092		19 526	1 352 525	635 379	109 539	19 387	725 531	626 994
Machinery and equipment	167 230			103 564	63 666	167 230		103 564	63 666	0
Cell phones & radios	2 151				2 151	2 151			2 151	0
Motor vehicles	10 373 723	3 627 992		423 253	13 578 462	6 063 854	1 143 845	423 253	6 784 446	6 794 016
	17 585 651	3 908 021	0	1 135 473	20 358 199	12 141 281	1 426 134	1 135 334	12 432 081	7 926 118
Total	121 183 507	31 047 517	0	1 140 095	151 090 929	34 935 658	10868080	1 139 956	44 663 782	106427 147

**APPENDIX B**  
**MSINGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2013**

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Closing Balance	Carrying Value
Executive and Council	5 935 572	129 651		543 626	5 521 597	2 891 515	586 274	543 487	2 934 302	2 587 295
Finance and Admin	17 544 204	31 091		280 323	17 294 972	3 993 576	628 889	280 323	4 342 142	12 952 830
Planning and Development		119 285			119 285	0	1 988		1 988	117 297
Health						0			0	
Community & Social Services	3 141 331	994 011		18 727	4 116 615	1 545 393	164 300	18 727	1 690 966	2 425 649
Housing						0			0	
Public Safety	25 720				25 720	14 619	1 603		16 222	9 498
Sport and Recreation						0			0	
Environmental Protection						0			0	
Waste Management	2 320 185				2 320 185	2 320 184			2 320 184	1
		29 773			121 654	24 134			33 319	
Road Transport	92 178 312	477		297 417	372	970	9 482 258	297 417	811	88 334 561
Other	38 183				38 183	35 399	2 768		38 167	16
	0				0					
	121183507	31047515	0	1 140 093	151090929	34935656	10868080	1 139 954	44663782	106427147

# APPENDIX C

## MSINGA LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012	2012	2012		2013	2013	2013
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
98 892 608	38 173 627	60 718 981	Executive and Council	110 593 802	41 095 503	69 498 299
220 655	7 161 595	(6 940 940)	Finance and Admin	340 165	8 952 688	(8 612 523)
	3 510 161	(3 510 161)	Planning and Development		3 952 214	(3 952 214)
	278 840	(278 840)	Health		205 228	(205 228)
67 550	2 805 777	(2 738 227)	Community & Social Services	108 629	3 432 801	(3 324 172)
	1 637 674	(1 637 674)	Public Safety		1 696 631	(1 696 631)
20 940	638 333	(617 393)	Waste Management	20 940	778 945	(758 005)
	17 922 218	(17 922 218)	Road Transport		19 235 623	(19 235 623)
	494 403	(494 403)	Other		547 911	(547 911)
		0				0
99 201 753	72 622 628	26 579 125	Sub - total	111 063 536	79 897 544	31 165 992

**MSINGA LOCAL MUNICIPALITY**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003**

Description	Name of organ of State	Unspent balance at 1 July 2012	Received 2012/2013	Expenditure 2012/2013	Transfer 2012/2013	Unspent balance at 30 June 2013	Grants delayed/ withheld	Reason for delaying/ withholding funds
		R	R	R	R	R	R	
Grants - general	Unspecified	1 178 104				1 178 104		
Grant - construction of shelters	District Council	243 769				243 769		
Int Dev I - Structure Grant	Provincial Government	100 936				100 936		
MIG-Roads		2 293 368	26 965 000	26 242 763		3 015 605		
Transition grant		2 518 464				2 518 464		
Tourism grant		1 222 159	359 000			1 581 159		
Municipal support grant		1 647 027		119 285		1 527 742		
Grants - general		3 450 000	200 000		(1 491 726)	2 158 274		
Grant -Integrated development plan		217 120		13 545		203 575		
Spacial dev Framework		100 000				100 000		
Finance Management grant		0	1 500 000	1 500 000		0		
Implementation of M F M Act		145 000				145 000		
Inter departmental monitoring grant		100 000				100 000		
Grant - LUMS		237 223				237 223		
Grant - Project Consolidate		1 847 347			(368 840)	1 478 507		
Grant - community development workers		128 890				128 890		
MSIG grant		0	800 000	800 000		0		
Housing grant - Pomeroy project		108 677				108 677		
Grant - LED capacity building		246 604				246 604		
Internal control & Audit committee		21 802				21 802		

**MSINGA LOCAL MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003**

Description	Name of organ of State	Unspent balance at 1 July 2012	Received 2012/2013	Expenditure 2012/2013	Transfer 2012/2013	Unspent balance at 30 June 2013	Grants delayed/ withheld	Reason for delaying/ withholding funds
		R	R	R	R	R	R	
Housing grant - Kwalatha project		(23 820)				(23 820)		
Resol phase 1		145 000				145 000		
Info Investment programme		200 000				200 000		
Sportsfields		592 192	1 200 000	1 265 573	368 840	895 459		
E - Learning		209 045				209 045		
Electrification programme		8 628 631		2 120 357	(6 508 274)	0		
Intern corporate		36 000	72 000			108 000		
Thusong Centres		1 167 000		635 985		531 015		
Sweet potato project		1 500 000				1 500 000		
EPWP grant			1 000 000	223 559		776 441		
		28 260 538	32 096 000	32 921 067	(8 000 000)	19 435 471		

